

## **EVALUATION OF SOCIAL ENTERPRISES IN A GLOBAL PERSPECTIVE**

**Abstract:** The importance of social enterprise evaluation is growing in our global society. It must demonstrate quality, efficiency, purpose and transparency for the various stakeholders, including commissioners, grant agreements, supervisory agencies and the community. The article introduces the measurement of social value, which is a category of evaluation.

**Keywords:** Evaluation; Social Enterprise; Social Entrepreneurship; Measurement; Social Value

### **1 Introduction: terminology and basic concept**

The concepts of social enterprise and social economy have emerged and gained popularity globally over the past two decades. Social enterprise can be defined as a “subject of social entrepreneurship”. The social enterprise pursues a goal of public benefit, which is formulated in its founding documents. It is established and developed on the basis of the so-called “triple bottom line” (economic, social and environmental) concept. It represents a new stream in the social economy or some authors identify social economy with social enterprises. At present, there is a certain effort for a broader conceptualization rather than for an all-encompassing definition [10, P. 48-49; 11].

Social entrepreneurship is the process by which social entrepreneurs create social enterprises. It uses socially innovative strategies and works across sectors to create social value. Social entrepreneurship is a process that identifies a specific social problem and proposes its specific solution, supports social cohesion, local development, solidarity behavior, social inclusion, growth of social capital, especially at the local level with maximum respect for sustainable development. It pursues a triple benefit and evaluates its social impact/social value creation [9; 16]. Social value represents intangible and non-financial value.

Evaluation can generally be defined as a specific form of research developed to assess the value of a service or measure [1]. The aim of most evaluations is to provide feedback useful to a variety of “audiences” including sponsors, donors, client groups, administrators, employees, etc. And this feedback is perceived as “useful” if it helps in current or future decisions. The main goal of evaluation should be to influence decision-making or formulate procedures/measures through the feedback provided [20; 24].

## **2 Measuring and evaluating social value - why?**

Measuring social value or social impact belongs to a wide area of evaluation research, using research methods and techniques. Measuring social value is understood as one of the forms of measuring performance, as a formal process aimed at obtaining and providing descriptive information about the characteristics of the organization [5, P. 24; 13]. Measuring intangible value is more difficult than measuring performance based on purely financial results.

In our global society there is an increasing importance attached to measuring social value and social impact organizations in the public, private and third sector create. In particular public and third sector organisations as a result of ongoing austerity measures face persistent uncertainties in regard to revenues which impact upon services and need to prove quality, efficiency, purpose and transparency for varied stakeholders including commissioners, funders grant stipulations, oversight agencies, and community. There are many approaches to measuring social value, but none have been widely accepted and this space is characterized by methodological pluralism. [1; 2; 12; 14; 9; 16; 17; 18; 21].

## **3 Measuring social value for social enterprises**

In the last two decades, due to the rise of social entrepreneurship (and social innovation), there has been a growing interest in methodologically different approaches to evaluation [22]. All organizations, but social enterprises in particular, face the challenge of assessing performance/effectiveness beyond existing financial indicators [15; 23]. Performance measurement can be seen as an activity that enables social enterprises to cope effectively with competitive demands from multiple stakeholder groups [5; 4].

The increased volume of financial resources towards social enterprises requires reliable forms of measurement (evaluation) to ensure effective financing [8, P. 4], which will include the triple benefit (economic, social and environmental) of the enterprise. Social enterprises measure their effectiveness (success) in terms of results and impact/ social value [6].

Social enterprises may differ in several respects, but they all share a common feature, namely the pursuit of a social mission. The ability to demonstrate the achievement of goals and success has become a basic need for social enterprises. Social enterprises require a more comprehensive measurement evaluation process due to several stakeholders and categories [3].

Social enterprises often use the theory of change which offers a way to achieve results by identifying the assumptions, pathways, and interventions necessary for success [17, P. 94-95]. The most discussed and applied methods for evaluation are today the Social Return on Investment (SROI), Social Accounting and Audit (SAA), Outcome Star (OS), and Randomized Control Studies/Testing (RCT) [e.g. 5, P. 26; 8; 9; 17, P. 55 ].

In summary, the central issue for social enterprises is how to balance the conflicting demands that result from achieving social value and economic performance [19; 26; 25]. Despite significant shifts in the measurement of social enterprises, many challenges remain, especially in terms of standardization and comparability [17; 22].

### References

1. Arvidson, M., Kara, H. Valuing third sector achievements in a service delivery context: evaluations and social value. In J. Rees, J., D. Mullins (eds). The third sector delivering public services. Bristol: Policy Press, 2015. - 1-17 p.
2. Austin, J. E. et al. (eds.). Effective Management of Social Enterprise: Lessons from Business and Civil Society Organisations in Iberoamerica. Cambridge, MA: Harvard University Press, 2006.
3. Bagnoli, L., Megali, C. Measuring Performance in Social Enterprises. *Nonprofit and Voluntary Sector Quarterly* 40 (1), 2011. - 149–165 p.
4. Battilana, J. et al. Harnessing Productive Tensions in Hybrid Organizations: The Case of Work Integration Social Enterprises. *Academy of Management Journal*, 58 (6), 2015. - 1658–1685 p.
5. Beer, H.A. An Exploration of people's experiences of the performance measurement process in social enterprises, 2016.
6. Bull, Ridley-Duff, Seanor. Measuring Social Value: Outcomes and Impacts. In R. Ridley-Duff, M. Bull. *Understanding Social Enterprise. Theory and Practice*. London: SAGE, 2016. - 131-154 p.
7. Defourny, J., Nyssens, M. Fundamentals for an International Typology of Social Enterprise Models, *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 28 (6), 2017. - 2469-97 p.
8. Denny, S., Seddon, F. Evaluating social enterprise: an international perspective. In S. Denny, F. Seddon (eds.). *Social Enterprise. Accountability and Evaluation around the World*. London: Routledge, 2014.
9. Dohnalova, M. et al. *Socialni ekonomika, socialni podnikani. Podnikani pro kazdeho*. Praha: Wolters Kluwer CR, 2012.
10. Dohnalova, M., Hrabetova, J. Social Value in the Czech Social Economy, *Social Value & Intangibles Review* 1 (1), 2015. - 47-50 p.
11. Dohnalova, M. et al. *Social Enterprise in the Czech Republic*, ICSEM Working Papers, No. 24. University of Liege, 2015.
12. Ebrahim, A., Rangan, V. K. What Impact? A Framework for Measuring the Scale & Scope of Social Performance. *California Management Review*, 56 (3), 2014. - 118–141 p.

13. Gibbon, J., Dey, C. Developments in Social Impact Measurement in the Third Sector: Scaling Up or Dumbing Down? *Social and Environmental Accountability Journal*, 31 (1), 2011. - 63-72 p.
14. Grieco, C., Michelini, L., Iasevoli, G. Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models. *Nonprofit and Voluntary Sector Quarterly* 44 (6), 2015. - 1173–1193 p.
15. Grieco, C. *Assessing Social Impact of Social Enterprises: Does One Size Really Fit All?* London: Springer, 2015.
16. Hrabetova, J., et al. Innovative Measurement of Social Value blending the Public, Private and Third Sectors in the UK. In Lukes, M. (ed.), *Innovation Management, Entrepreneurship and Corporate Sustainability*. Praha: VSE v Praze, 2016. - 247-257 p.
17. Kickul, J., Lyons, T. S. *Understanding Social Entrepreneurship*. New York: Routledge, 2016.
18. Millar, R., Hall, K. Social return on investment (SROI) and performance measurement. *Public Management Review* 15 (6), 2013. - 923-941 p.
19. Mook, L. et al. *Understanding the social economy of the United States*. Toronto: University of Toronto Press, 2015.
20. Murray, V. The Evaluation of Organizational Performance: Normative Prescriptions vs. Empirical Results. Paper for the COI Conference, Toronto, July 10, 2004.
21. Nicholls A. We Do Good Things Don't We?: Blended Value Accounting In Social Entrepreneurship. *Accounting, Organizations and Society*, 34 (6-7), 2009. - 755-769 p.
22. Nicholls, A. Synthetic Grid: A critical framework to inform the development of social innovation metrics. CRESSI Working Paper no. 14/2015 – D3.1 Synthetic Grid (10 September 2015), 2015.
23. Peredo, A. M., McLean, M. Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41 (1), 2015. - 56-65 p.
24. Rossi, P. H., Lipsey, M. W., Freeman, H. E. *Evaluation: A Systematic Approach*. 7th edition London: SAGE, 2004.
25. Roy, K., Karna, A. Doing social good on a sustainable basis: competitive advantage of social businesses. *Management Decision*, 53 (6), 2015. - 1355-1374 p.
26. Quarter, J., Richmond, B. J. „Accounting for Social Value in Nonprofits and For-Profits.” *Nonprofit Management and Leadership*, 12 (1), 2001. - 75–85 p.